
CATHOLIC CHARITIES OF THE DIOCESE OF
BATON ROUGE, INC.

FINANCIAL STATEMENTS
JUNE 30, 2008

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 1/28/09



A Professional Accounting Corporation
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CATHOLIC CHARITIES OF THE DIOCESE OF
BATON ROUGE, INC.

FINANCIAL STATEMENTS
JUNE 30, 2008

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Catholic Charities of the Diocese of Baton Rouge, Inc.
Baton Rouge, Louisiana

We have audited the statement of financial position of Catholic Charities of the Diocese of Baton Rouge, Inc. (CCDBR) (a non-profit organization) as of June 30, 2008, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of CCDBR's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CCDBR as of June 30, 2008, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued reports dated December 9, 2008 on our consideration of CCDBR's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be read in conjunction with this report in considering the results of our audit.

The accompanying financial information listed in the Table of Contents as Supplemental Information is presented for additional analysis and is not a required part of the basic financial statements of CCDBR. We have applied certain limited procedures to this information, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the information. However, we did not audit the information and express no opinion on it.

Postlethwaite ; Netterville

Baton Rouge, Louisiana
December 9, 2008

CATHOLIC CHARITIES OF THE DIOCESE OF BATON ROUGE, INC.
BATON ROUGE, LOUISIANA

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2008

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 1,502,490
Certificate of deposit - restricted	53,655
Grants receivable	838,968
Unconditional promises to give - United Way	
Services funding for the next fiscal year	137,753
Other current assets	3,337
Total current assets	<u>2,536,203</u>

OTHER ASSETS

Property, furniture and equipment - net	<u>558,400</u>
Total other assets	<u>558,400</u>
 Total assets	 <u><u>\$ 3,094,603</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 253,147
Accrued expenses	251,168
Due to United States Conference of Catholic Bishops	5,500
Current portion of notes payable to Catholic Diocese of Baton Rouge	5,049
Total current liabilities	<u>514,864</u>

OTHER LIABILITIES

Non-current portion of notes payable to Catholic Diocese of Baton Rouge	37,616
Non-current portion of notes payable to Office of Community Development	<u>126,000</u>
Total other liabilities	<u>163,616</u>
 Total liabilities	 <u>678,480</u>

NET ASSETS

Unrestricted	2,362,468
Temporarily restricted	-
Permanently restricted	53,655
Total net assets	<u>2,416,123</u>
 Total liabilities and net assets	 <u><u>\$ 3,094,603</u></u>

The accompanying notes are an integral part of this financial statement.

CATHOLIC CHARITIES OF THE DIOCESE OF BATON ROUGE, INC.
BATON ROUGE, LOUISIANA

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>REVENUES</u>				
United Way	\$ 308,790	\$ -	\$ -	\$ 308,790
Contributions and foundations	336,132	-	-	336,132
Federal and state contracts	3,161,196	-	-	3,161,196
Catholic Diocese of Baton Rouge	-	1,212,247	-	1,212,247
Fee income	240,741	-	-	240,741
Interest income	51,842	-	-	51,842
Fundraising	23,050	-	-	23,050
Disaster response and emergency assistance grant income	-	2,454,715	-	2,454,715
Other income	179,747	-	-	179,747
Net assets released from donor restrictions:				
Satisfaction of program restrictions	6,681,735	(6,681,735)	-	-
Total revenues	<u>10,983,233</u>	<u>(3,014,773)</u>	<u>-</u>	<u>7,968,460</u>
<u>EXPENSES</u>				
Program services	11,746,268	-	-	11,746,268
Management and general	397,416	-	-	397,416
Fundraising	5,317	-	-	5,317
Total expenses	<u>12,149,001</u>	<u>-</u>	<u>-</u>	<u>12,149,001</u>
<u>CHANGE IN NET ASSETS</u>	(1,165,768)	(3,014,773)	-	(4,180,541)
<u>BALANCE AT JUNE 30, 2007</u>	<u>3,528,236</u>	<u>3,014,773</u>	<u>53,655</u>	<u>6,596,664</u>
<u>BALANCE AT JUNE 30, 2008</u>	<u>\$ 2,362,468</u>	<u>\$ -</u>	<u>\$ 53,655</u>	<u>\$ 2,416,123</u>

The accompanying notes are an integral part of this financial statement.

CATHOLIC CHARITIES OF THE DIOCESE OF BATON ROUGE, INC.
BATON ROUGE, LOUISIANA

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Specific assistance to individuals	\$ 5,413,564	\$ -	\$ -	\$ 5,413,564
Other salaries and wages	3,661,143	123,432	-	3,784,575
Pension plan contributions	214,216	1,639	-	215,855
Other employee benefits	313,435	26,366	-	339,801
Payroll taxes	256,101	6,437	-	262,538
Fundraising expenses	-	-	5,317	5,317
Accounting and other professional fees	-	84,684	-	84,684
Supplies	66,443	4,734	-	71,177
Telephone	137,489	3,124	-	140,613
Postage and shipping	17,612	2,668	-	20,280
Occupancy	369,373	9,716	-	379,089
Equipment rental and maintenance	84,345	15,714	-	100,059
Printing and publications	14,677	1,566	-	16,243
Travel	184,305	-	-	184,305
Conferences, conventions, and meetings	29,801	5,628	-	35,429
Depreciation	88,101	10,120	-	98,221
Pass-through contracts	817,281	-	-	817,281
Interest	2,844	-	-	2,844
Other	75,538	101,588	-	177,126
	<u>\$ 11,746,268</u>	<u>\$ 397,416</u>	<u>\$ 5,317</u>	<u>\$ 12,149,001</u>

The accompanying notes are an integral part of this financial statement.

CATHOLIC CHARITIES OF THE DIOCESE OF BATON ROUGE, INC.
BATON ROUGE, LOUISIANA

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2008

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ (4,180,541)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	98,221
Gain on sale of investments	(11,415)
Changes in:	
Contract receivables	70,153
Other assets	(3,337)
Unconditional promises to give	(31,790)
Accounts payable	(361,868)
Accrued expenses	<u>86,918</u>
Net cash used in operating activities	<u>(4,333,659)</u>

CASH FLOW FROM INVESTING ACTIVITIES

Proceeds from redemptions and sales of investments	1,559,672
Purchase of equipment	<u>(54,904)</u>
Net cash provided by investing activities	<u>1,504,768</u>

CASH FLOW FROM FINANCING ACTIVITIES

Proceeds from note payable	90,000
Payments on notes payable	<u>(8,341)</u>
Net cash provided by financing activities	<u>81,659</u>

Net change in cash	(2,747,232)
Cash and cash equivalents, beginning of year	<u>4,249,722</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,502,490</u></u>

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid during year:	
Interest	<u><u>\$ 2,844</u></u>

The accompanying notes are an integral part of this financial statement.

CATHOLIC CHARITIES OF THE DIOCESE OF BATON ROUGE, INC.
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

1. **Summary of Significant Accounting Policies**

a. **Nature of Activities**

Catholic Charities of the Diocese of Baton Rouge, Inc. (CCDBR or the Organization) is a non-profit corporation organized under the laws of the State of Louisiana on April 2, 1975, to promote organized charitable welfare and social service work for the moral betterment of all persons. CCDBR was formerly known as Catholic Community Services of Baton Rouge, Inc. Effective as of June 30, 2007, the Organization changed its name to better reflect the mission of the Organization. For the year ended June 30, 2008, the Diocese of Baton Rouge, and the Governor's Office of Elderly Affairs (GOEA) each provided more than 10% of revenues.

b. **Basis of Accounting**

The financial statements of the Organization have been prepared on the accrual basis of accounting, and accordingly, reflect all significant receivables, payables, and other liabilities.

c. **Promises to Give and Revenue Recognition**

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. All contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the existence or nature of any donor restrictions. All other donor-restricted support is reported as an increase in temporarily restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets. The Organization received a permanently restricted donation during 2006; however, the income earned off of this endowment is classified as unrestricted net assets.

The Organization uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. Management feels that all promises to give are collectible, and as such, no allowance for doubtful accounts has been established.

d. **Contracts Receivable**

Contracts receivable represents amounts owed to the Organization for costs incurred under federal and state grant contracts which are reimbursable to the Organization. Contracts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Organization provides for losses on contract receivables using the allowance method. The allowance is based on experience and other circumstances, which may affect the ability of contractors to meet their obligations. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is the Organization's policy to charge off uncollectible contracts receivable when management determines the receivable will not be collected. Management feels that all receivables are collectible, and as such, no allowance for doubtful accounts has been established.

CATHOLIC CHARITIES OF THE DIOCESE OF BATON ROUGE, INC.
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

e. Unrestricted Net Assets

It is the recommendation of the Board of Directors and management of the Organization that two to three months operating expenses should be accumulated and maintained as unrestricted net assets in order to cover unreimbursed overhead expenses associated with grant awards and other contingencies, and due to the uncertainty and irregularity in the timing of grant receipts from its federal and state programs.

f. Property and Equipment

Property and equipment are stated at cost or, if donated, at the estimated fair market value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, which range as follows:

Furniture and equipment	3 - 10 Years
Shelters	20 - 25 Years

g. Donated Services

A significant portion of CCDBR's functions are conducted by unpaid volunteers. The value of the contributed time is not reflected in the accompanying financial statements since the services do not meet the criteria for recognition under accounting principles generally accepted in the United States of America. See Note 5 regarding in kind contributions.

h. Cash and Cash Equivalents

For purposes of the statement of cash flows, cash equivalents include highly liquid and highly secure investments with original maturities of three months or less.

i. Allocation of Expenses

The costs of providing the various programs and other activities of the Organization have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and the supporting services benefited.

j. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

CATHOLIC CHARITIES OF THE DIOCESE OF BATON ROUGE, INC.
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

k. Income Taxes

The Organization is a non-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

l. Reclassification

A reclassification that increased unrestricted net assets by \$1,047,436 and decreased temporarily restricted net assets by the same amount at June 30, 2007, is included in the accompanying financial statements. See Note 12.

2. Contracts Receivable

The detail of contracts receivable as of June 30, 2008, is as follows:

Match Grant	\$ 61,036
Senior Employment	106,339
Migration and Refugee Services	19,892
Disaster Response	538,568
HUD – SHP	38,449
Refugee Social Services	57,247
United States Conference of Catholic Bishops	<u>17,437</u>
	<u>\$ 838,968</u>

3. Property, Furniture and Equipment

Property and equipment acquired by the Organization is considered to be owned by the Organization. However, the State of Louisiana maintains the title to the property and equipment purchased in whole or in part under contracts/grants funded by the State of Louisiana. The State has the right to require the transfer of the property and equipment (including title) to the State or to an eligible non-state party named by the State. Such transfer may occur at any time.

The composition of property, furniture and equipment at June 30, 2008 was as follows:

Land and shelters	\$ 615,655
Furniture and equipment	<u>270,008</u>
	885,663
Accumulated depreciation	<u>(327,263)</u>
	<u>\$ 558,400</u>

CATHOLIC CHARITIES OF THE DIOCESE OF BATON ROUGE, INC.
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

4. Due to United States Conference of Catholic Bishops

Prior to January 1, 1980, the Migration and Refugee Services Program established a revolving account with the United States Conference of Catholic Bishops (USCCB) for the purpose of resettling refugees. In accordance with the revolving account agreement, these funds are to be returned to the USCCB upon the termination of the program. As of June 30, 2008, the balance due USCCB amounted to \$5,500.

5. In-Kind Contributions

The Foster Grandparents and Senior Employment Programs received in-kind contributions during the year from various donors for meals, space and volunteers without charge. The United Methodist Committee on Relief Program also received in-kind contributions during the year. For the year ended June 30, 2008, these contributions have been recorded as revenue with the offset being recorded as expenses in the amount of \$64,291.

6. Pension Plan

Employees of the Organization participate in a defined benefit pension plan with the Catholic Diocese of Baton Rouge. Effective as of January 1, 2005, participants are required to contribute 4% of their salaries, with the Organization contributing 7%. The Diocese of Baton Rouge administers the plan. For the year ended June 30, 2008, contributions of \$215,855 were made to the plan.

7. Due to Catholic Diocese of Baton Rouge

The Catholic Diocese of Baton Rouge also provided financing for CCDBR to acquire a house to be used for shelter for clients in need. The loan amount was \$55,000 and is being repaid in 199 monthly installments. The interest rate on the note is 5.50%. Interest expense incurred on this loan during the year ended June 30, 2008 was \$2,844. The following schedule shows the future payouts of the note:

For year ending June 30,

2009	\$ 5,049
2010	5,049
2011	5,049
2012	5,049
2013	5,049
Thereafter	17,420
	<u>\$ 42,665</u>

CATHOLIC CHARITIES OF THE DIOCESE OF BATON ROUGE, INC.
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

8. Note Payable – Office of Community Development

CCDBR received \$90,000 and \$36,000 as part of a loan agreement with the Office of Community Development during the years ended June 30, 2008 and 2007, respectively. These funds are to be used for the rehabilitation of buildings as part of the Families First Housing Program. This is a principal only loan with a term of 5 years. The repayment terms of the note will be forgiven as long as CCDBR can establish proof of services paid for by using non-federal funds equal to or greater than the annual repayment amount.

9. Related Party

CCDBR has a relationship with the Catholic Diocese of Baton Rouge (DOBR) that includes participation in Diocesan benefit programs, and considerable savings on rent, insurance, telephone, and other equipment usage. For the year ended June 30, 2008, these in-kind contributions have been recorded as revenue with the offset being recorded as expenses in the amount of \$176,598.

Revenues include \$409,058 of funding from the DOBR to subsidize the Social Responsibility program. In addition, included in revenues is \$337,671 of funding from the DOBR to subsidize the Counseling, Maternity and Adoption program. CCDBR also received cash contributions from the DOBR resulting from the Bishop's Annual Appeal of approximately \$234,000.

Due to the nature of CCDBR's organization, the funding is expected to continue for the duration of these program operations of CCDBR.

10. Net Assets Released from Donor Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrences of other events specified by the donors to the following programs:

Senior Employment	\$ 7,742
Foster Grandparent Program Title II, Part B	7,449
Social Responsibility	446,942
United States Conference of Catholic Bishops	8,191
Match Grant	8,191
Counseling, Maternity and Adoption	415,055
Emergency Assistance	330,078
Tangipahoa Care Programs	4,000
Disaster Response	5,215,483
Refugee Cash Assistance	8,191
Migration and Refugee Services	8,191
Other Program Services	<u>222,222</u>
	<u>\$ 6,681,735</u>

CATHOLIC CHARITIES OF THE DIOCESE OF BATON ROUGE, INC.
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

11. Disaster Response and Emergency Assistance

During 2005, Hurricanes Katrina and Rita devastated Louisiana's Gulf Coast. As a result, CCDBR has become a first responder to the needs of the community. Through donations, grants, and contracts from multiple sources, including Freddie Mac, United Way, Catholic Charities USA, Baton Rouge Area Foundation, Louisiana Family Recovery Corps, the Organization has been able to meet these needs through case management and direct assistance. These donations, grants, and contracts are classified as temporarily restricted until the funds are expended for purposes as specified in the agreements.

On August 22, 2008, CCDBR received \$6,000,000 from Catholic Charities USA. This is the second installment of a \$15,000,000 grant award to be used in response to the devastation of the 2005 hurricanes which impacted the CCDBR community. The balance available for future draws under this grant is \$3,000,000.

12. Net Assets Reclassifications

Certain revenues received during prior fiscal years were recorded as temporarily restricted contributions but were instead agency and exchange transactions of the organization. As a result, a reclassification that increased unrestricted net assets by \$1,047,436 and decreased temporarily restricted net assets by the same amount at June 30, 2007 was made.

13. Off-Balance Sheet Risk

At June 30, 2008, CCDBR had deposits in a bank in excess of federally insurance limits by approximately \$370,000. Management believes the credit risk associated with these deposits is minimal.

14. Promise to Give – United Way Funding

On May 20, 2008, the Capital Area United Way notified CCDBR of its allocation of fiscal year funding for the year ending June 30, 2009 of \$137,753. This allocation is considered an unrestricted contribution and is recorded as an unconditional promise to give as of June 30, 2008.

SUPPLEMENTAL SCHEDULES

CATHOLIC CHARITIES OF THE DIOCESE OF BATON ROUGE, INC.

SCHEDULE OF EXPENDITURES BY PROGRAM
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Expenses</u>	<u>Non-cash Adjustments, Including Depreciation</u>	<u>Plant, Furniture & Equipment Purchases</u>	<u>Expenditures</u>
Senior Employment	\$ 1,080,606	\$ (290)	\$ -	\$ 1,080,316
Social Responsibility	447,084	-	-	447,084
Foster Grandparent Program Title II, Part B	361,878	(1,976)	-	359,902
United States Conference of Catholic Bishops	53,137	-	-	53,137
Match Grant	79,877	-	-	79,877
Counseling, Maternity & Adoption	601,478	(2,617)	1,021	599,882
Satellite Counseling Offices	57,051	(304)	-	56,747
Citizens Advocacy	88,704	-	-	88,704
HUD - SHP	29,063	-	-	29,063
Human Services Consortium	28,821	-	-	28,821
Tangipahoa Cares Program (ESBG & FEMA)	118,801	(175)	-	118,626
Joseph Homes (ESBG)	114,750	(27,522)	-	87,228
Emergency Assistance	155,632	-	-	155,632
Disaster Response	7,717,091	(54,576)	52,862	7,715,377
Refugee Cash Assistance	495,774	-	1,021	496,795
Refugee Social Services	252,808	-	-	252,808
Migration and Refugee Services	131,274	(641)	-	130,633
Other Program Services	190,225	(3,690)	-	186,535
Agency	144,947	(6,430)	-	138,517
	<u>\$ 12,149,001</u>	<u>\$ (98,221)</u>	<u>\$ 54,904</u>	<u>\$ 12,105,684</u>

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
Catholic Charities of the Diocese
of Baton Rouge, Inc.
Baton Rouge, Louisiana

We have audited the financial statements of Catholic Charities of the Diocese of Baton Rouge, Inc. as of and for the year ended June 30, 2008, and have issued our report thereon dated December 9, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Catholic Charities of the Diocese of Baton Rouge's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not for the purpose of expressing an opinion on the effectiveness of internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Catholic Charities of the Diocese of Baton Rouge's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We consider the deficiency described in the schedule of findings and questioned costs as 2008-1 to be a significant deficiency in internal control over financial reporting.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Catholic Charities of the Diocese of Baton Rouge's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the board of directors, management, and others within the Organization, and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Postlethwaite & Netterville

Baton Rouge, Louisiana
December 9, 2008

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Directors
Catholic Charities of the Diocese
of Baton Rouge, Inc.
Baton Rouge, Louisiana

Compliance

We have audited the compliance of Catholic Charities of the Diocese of Baton Rouge, Inc. (CCDBR) (a non-profit organization) with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. CCDBR's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of CCDBR's management. Our responsibility is to express an opinion on CCDBR's compliance based on our audit. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2008-2 and 2008-3.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about CCDBR's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on CCDBR's compliance with those requirements.

In our opinion, CCDBR complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of CCDBR is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered CCDBR's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of CCDBR's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

This report is intended for the information of the board of directors, management, federal awarding agencies, and the Legislative Auditor of the State of Louisiana, and is not intended to be, and should not be, used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Postlethwaite ; Netterville

Baton Rouge, Louisiana
December 9, 2008

CATHOLIC CHARITIES OF THE DIOCESE OF BATON ROUGE, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

<u>FEDERAL GRANT AGENCY/RECIPIENT STATE</u> <u>AGENCY/GRANT PROGRAM/NUMBER</u>	<u>CFDA</u> <u>NUMBER</u>	<u>DISBURSEMENTS/</u> <u>EXPENDITURES</u>
U. S. Department of Labor:		
Pass through from State of Louisiana - Governor's Office of Elderly Affairs:		
S.C.S.E.P. - Title V	17.235	<u>\$ 1,051,120</u>
Department of Health and Human Services:		
Refugee Social Services Program	93.566	237,926
Refugee Cash Assistance	93.566	496,795
Pass through from Administration for Children and Families – Office of Refugee Resettlement:		
United States Conference of Catholic Bishops - Match Grant	-	<u>63,509</u>
Total Department of Health and Human Services		<u>798,230</u>
Department of Housing and Urban Development:		
ESBG Grant	14.231	23,907
Supportive Housing Program	14.235	<u>62,760</u>
		<u>86,667</u>
Department of State:		
United States Conference of Catholic Bishops	-	<u>33,043</u>
Corporation for National and Community Service (formerly ACTION):		
Foster Grandparent Program, Title II, Part B	94.001	<u>319,191</u>
Federal Emergency Management Agency:		
Emergency Assistance Program	85.516	<u>89,836</u>
Total All Grants		<u>\$ 2,378,087</u>

See accompanying notes to schedule of expenditures of federal awards.

CATHOLIC CHARITIES OF THE DIOCESE OF BATON ROUGE, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of federal financial awards includes the federal grant activity of Catholic Charities of the Diocese of Baton Rouge, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

NOTE B - RECONCILIATION OF EXPENSES TO FEDERAL EXPENDITURES

	Expenses	Non- Federal Award Expenditures	Non-cash Adjustments, Including Depreciation	Equipment Purchases	Expenditures
Senior Employment	1,080,606	(29,196)	(290)	-	1,051,120
Social Responsibility	447,084	(447,084)	-	-	-
Foster Grandparent Program Title II, Part B	361,878	(40,711)	(1,976)	-	319,191
United States Conference of Catholic Bishops	53,137	(20,094)	-	-	33,043
Match Grant	79,877	(16,368)	-	-	63,509
Counseling, Maternity & Adoption	601,478	(599,882)	(2,617)	1,021	-
Satellite Counseling Offices	57,051	(56,747)	(304)	-	-
Citizens Advocacy	88,704	(88,704)	-	-	-
HUD – SHP	29,063	(5,156)	-	-	23,907
Human Services Consortium	28,821	(28,821)	-	-	-
Tangipahoa Cares Program (ESBG & FEMA)	118,801	(118,626)	(175)	-	-
Joseph Homes, Inc. (ESBG)	114,750	(24,468)	(27,522)	-	62,760
Emergency Assistance Program	155,632	(65,796)	-	-	89,836
Disaster Response	7,717,091	(7,715,377)	(54,576)	52,862	-
Refugee Cash Assistance	495,774	-	-	1,021	496,795
Refugee Social Services	252,808	(14,882)	-	-	237,926
Migration and Refugee Services	131,274	(130,633)	(641)	-	-
Other Program Services	190,225	(186,535)	(3,690)	-	-
Agency	144,947	(138,517)	(6,430)	-	-
	<u>\$ 12,149,001</u>	<u>\$ (9,727,597)</u>	<u>\$ (98,221)</u>	<u>\$ 54,904</u>	<u>\$ 2,378,087</u>

CATHOLIC CHARITIES OF THE DIOCESE OF BATON ROUGE, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

A. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

- Material weakness(es) identified? _____ yes x no
- Significant deficiencies(s) identified that are not considered to be material weaknesses? x yes _____ none reported

Noncompliance material to financial statements noted? _____ yes x no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes x no
- Significant deficiency (ies) identified that are not considered to be material weaknesses? _____ yes x none reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? _____ yes x no

Identification of major programs:

CFDA Numbers

Name of Federal Program or Cluster

93.566

Refugee and Entrant Assistance
(State Administered Program)

- The threshold for distinguishing types A & B programs was program expenditures exceeding \$300,000.
- Catholic Charities of the Diocese of Baton Rouge, Inc. was determined to be a low-risk auditee.

CATHOLIC CHARITIES OF THE DIOCESE OF BATON ROUGE, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

B. Findings – Financial Statement Audit

2008-1 Financial Reporting

Criteria: While obtaining an understanding of the internal controls over financial reporting we noted that although management was provided with monthly program income statement reports the Board of Directors is not provided with one overall financial statement presentation.

Condition: The definition of internal control over financial reporting is that policies and procedures exist that pertain to an Organization's ability to initiate, record, process, and report financial data consistent with the assertion embodied in the annual financial statements, which for the Organization, is that financial statements are prepared in accordance with generally accepted accounting principles (GAAP).

Effect: Because the Board of Directors is not provided with one overall financial statement presentation they are not able to judge on a month to month basis their financial position which meets the definition of a significant deficiency.

Recommendation:

We recommend that an overall financial statement presentation be provided to members of management and the Board of Directors on a monthly basis to provide timely information to make informed financial decisions.

View of Responsible Official and Planned Corrective Action:

Independent of this audit and prior to its initiation the process had been changed to include presentation of overall financial statement activities to the Board of Directors.

C. Findings and Questioned Costs – Major Federal Award Programs

93.566 Refugee and Entrant Assistance Program

2008-2 Reporting

Criteria: As a pass-through entity of federal funds for the refugee and entrant assistance program and under the terms of the Wilson/Fish Discretionary Grant Program agreement, CCDBR is the designated Lead Agency. As the Lead Agency, overseeing three other agencies, CCDBR is responsible for submitting the *Quarterly Performance Report (QPR) (OMB No. 0970-0036)*, which contains a narrative and statistical information on program performance for cash assistance, medical assistance, social services, medical screening, and the provision of services to unaccompanied minors for all agencies under this agreement.

Condition: The Lead Agency is responsible for gathering all information from the other agencies under its oversight for completion and filing of the QPR. The QPR is required to be filed thirty days after the end of each quarter. Due to the other agencies' inability to provide the required information in a timely manner, the QPRs were not filed with the Federal Department of Health and Human Services as required under the terms of the agreement.

Questioned Costs: Not applicable

Effect: CCDBR is not in compliance with the terms of federal grant agreement. Non-compliance with contract terms may affect future funding and operations of the program.

Recommendation:
We recommend that reports are filed timely to ensure compliance with federal program requirements.

View of Responsible Official and Planned Corrective Action:

As the Lead Agency for the Wilson/Fish Discretionary Grant, it is my responsibility to file timely reports to the Office of Refugee Resettlement (ORR). The Dioceses of Lafayette and New Orleans have consistently been delinquent in submitting timely reports. I received Lafayette reports on November 19, 2008 and have yet to receive New Orleans reports which were due to me on October 15, 2008. During the week of November 17, 2008, ORR conducted an on-site review and provided technical assistance for all providers, during which time the submission of timely reporting was discussed. We warned the subgrantees that their tardiness is unacceptable. Reports will be submitted on a timely basis based upon the available data that is needed to complete these reports and amended reports will be resubmitted including the completed information. This action has been approved by ORR. Sub-grantees expense report reimbursement will remain unpaid until completed data has been submitted.

C. Findings and Questioned Costs – Major Federal Award Programs (continued)

93.567 Refugee and Entrant Assistance Program

2008-3 Monitoring of Sub-recipients

Criteria: As a pass-through entity of federal funds for the refugee and entrant assistance program and under the terms of the Wilson/Fish Discretionary Grant Program agreement, CCDBR is the designated Lead Agency and serves as the State Refugee Coordinator for the Louisiana Refugee Services Collaborative. The State Refugee Coordinator is responsible for the monitoring and evaluation of the program in accordance with regulations established by the federal office of Refugee Resettlement (ORR).

Condition: CCDBR did not monitor compliance of the sub-recipients under the terms of the Wilson/Fish Discretionary Grant Program during the fiscal year under audit. The monitoring of the sub-recipients was scheduled during 2008 but was interrupted by Hurricane Gustav.

Questioned Costs: Not applicable

Effect: Without monitoring of sub-recipients receiving federal funds as the State Refugee Coordinator, CCDBR is unable to provide reasonable assurance that the sub-recipients are complying with regulations, and /or with provisions of contracts or grant agreements and that performance goals are being achieved.

Recommendation:
We recommend that CCDBR create a monitoring plan to include expected dates for performing site visits and reviewing reports. Regular contact should be made with each agency for ensuring program compliance as a sub-recipient of federal funds.

View of Responsible Official and Planned Corrective Action:

Monitoring for the sub-grantees was scheduled for September 10, 17 and 24, 2008. Due to Hurricane Gustav the monitoring was rescheduled for December 3, 10, 17, 2008. During the monitoring with ORR on November 17th, sub-grantees requested that their on-site monitoring be delayed until after the new year. In the interim, CCDBR was notified by the State Department in late September that over 200 refugees would be resettled in Louisiana between October and December 2008 as compared with the annual projection of 150 refugees. This is a huge influx of refugees entering the State after a 2 year hiatus of low arrivals. Louisiana historically has resettled over 450 refugees annually. The last on-site monitoring of the sub-grantees was all were found to be in full compliance. We are in the process of creating a statewide data base that will enable us to monitor the sub-grantees on a monthly basis. This has also been discussed with ORR and approved as a corrective action.

CATHOLIC CHARITIES OF THE DIOCESE OF BATON ROUGE, INC.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Management Letter Comment

1) Eligibility calculation for the Senior Employment Program

Our audit procedures over income eligibility calculations for the Senior Employment Program disclosed errors in three of the forty items selected for testing. None of the errors resulted in a different conclusion regarding whether or not eligibility had been met, than was originally made by program personnel. We suggest that to improve controls eligibility calculations should be reviewed and recalculated by an independent person prior to communication of the approval or denial to the potential program participant.

Updated Management's response:

Management agrees with the prior year recommendation and implemented a policy that income eligibility calculations are reviewed prior to communication with the potential program participant.